

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 FEA-01 ERDA-05 AID-05
CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
PA-01 PRS-01 /112 W
-----161130Z 059364 /21

R 160930Z JAN 77
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 849
INFO AMEMBASSY BONN
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMEMBASSY PRAGUE
AMEMBASSY VIENNA

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E.O. 11652: NA
TAGS: ENRG, BENC, IR
SUBJ: GAS: DEVELOPMENTS REGARDING IGAT-II

REF: 76 TEHRAN 11575

1. THERE IS GOOD AND BAD NEWS FOR POTENTIAL U.S. SUPPLIERS OF GOODS AND SERVICES FOR THE \$2.5 BILLION IGAT-II(SECOND IRANIAN GAS TRUKNLINE) PROJECT. THE EMBASSY WAS INFORMED BY A SENIOR NIGC OFFICIAL THAT, BARRING UNFORESEEN DEVELOPMENTS, EITHER BUTLER AND CULVER OR WILLIAMS BROTHERS ENGINEERING/IMEG WILL BE SELECTED FROM AMONG THE FIVE BIDDERS(REPORTEDLY NONE OF THE OTHER THREE ARE U.S.) FOR THE CONTRACT FOR PROJECT MANAGEMENT, MATERIAL PROCUREMENT, AND SUPERVISION AND INSPECTION. NIGC HAS SUBMITTED BOTH CONTRACTOR'S OFFERS, ALONG WITH ITS EXPRESSION OF SATISFACTION WITH BOTH OFFERS, TO MINISTRY OF ECONOMIC AND FINANCIAL AFFAIRS WITH THE REQUEST THAT THE MINISTRY INDICATE
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WHICH SHOULD BE SELECTED. IT SEEMS FUTILE TO SPECULATE ON WHEN OR TO WHOM THE CONTRACT WILL BE AWAREDED.

2. THE BAD NEWS RELTES TO THE LIKELIHOOD THAT THE USSR WILL CORNER MUCH OF THE BUISNESS THAT WOULD NORMALLY BE AVAILABLE TO U.S. SUPPLIERS. DECISION IS APPARENTLY NOT FINAL BUT RESPONSIBLE NIGC OFFICIALS AND TRADE SOURCES FULL EXPECT THAT ALL OF THE

COMPRESSORS REQUIRED FOR IGAT-II WILL BE RUSSIAN. ADDITIONALLY, NIGC IS REPORTEDLY GIVING SERIOUS CONSIDERATION TO PERMITTING THE SOVIETS TO CONSTRUCT THE PIPELINE FROM KUH-E-NAMAK IN IRAN NORTH TO ASTARA ON USSR BORDER. RATIONALE BEHIND FAVORING USSR IS REPORTEDLY THE EXISTENCE OF LARGE RUBLE CREDITS DUE IRAN FROM SALE OF GAS VIA IGAT-I. ACCORDING TO EMBASSY SOURCES, SOVIET COMPRESSORS USED ON IGAT-I HAVE PERFORMED REASONABLY WELL AND, IN ANY CASE, RUBLE CREDITS MIGHT AS WELL BE USED AND IGAT-II APPEARS TO BE THE MOST LIKELY CHOICE.

3. COMMENTS CONTAINED REFTEL ABOUT DIFFICULTIES WHICH MAY PREVENT IRAN FROM MEETING COMMITMENT TO BEGIN GAS DELIVERIES TO ASTARA IN JANUARY 1981 REMAIN VALID. HOWEVER, WE ARE INFORMED THAT CONTRACT DOES GIVE IRAN SIX MONTHS GRACE SO THAT PENALTY FOR NON-COMPLIANCE WILL NOT BE INCURRED IF DELIVERIES BEGIN BY MID-1981. ADDITIONAL SIX MONTHS WILL UNDOUBTEDLY HELP BUT THERE IS STILL CONSIDERABLE LOCAL DOUBT, SHARED BY EMBASSY, THAT SCHEDULE WILL BE MET.

4. COMMENTS ABOVE MAY BE DISCUSSED AS APPROPRIATE WITH POTENTIAL U.S. SUPPLIERS FOR IGAT-II PROJECT BUT THE FACT THAT NIGC WAS SOURCE OF INFORMATION SHOULD NOT BE REVEALED.
MIKLOS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATURAL GAS, EXPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 16-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977TEHRAN00402
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770016-0448
Format: TEL
From: TEHRAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770147/aaaabp dv.tel
Line Count: 85
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 04def2d8-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 TEHRAN 11575
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 10-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3585877
Secure: OPEN
Status: NATIVE
Subject: GAS: DEVELOPMENTS REGARDING IGAT-II
TAGS: ENRG, BENC, IR
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/04def2d8-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009